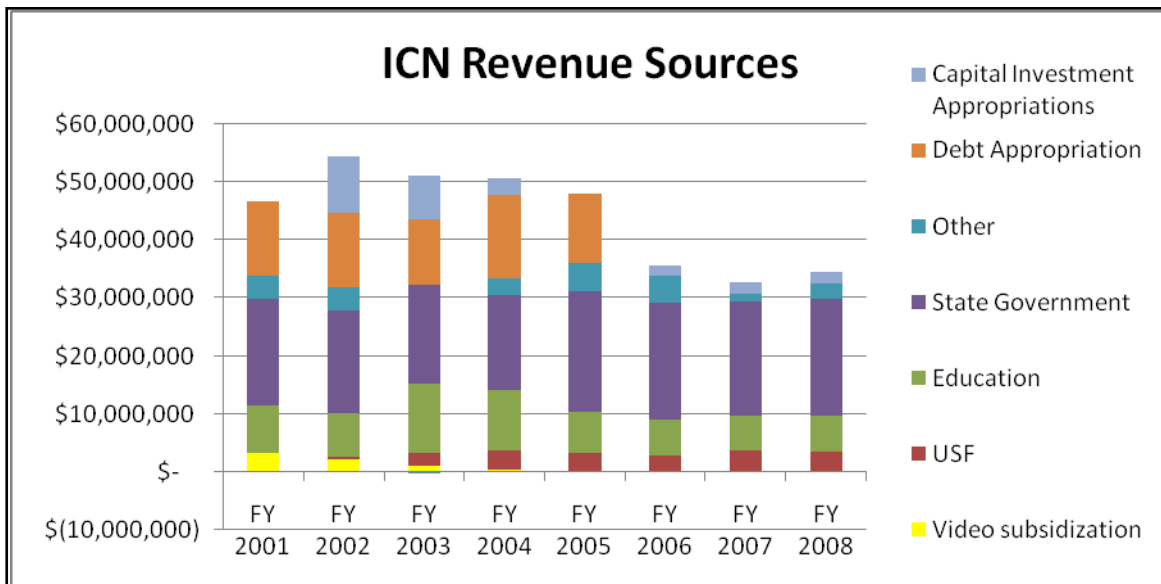


## ICN Budget

### Frequently Asked Questions

**Background:** The Iowa Communications Network (ICN) manages a state-owned and administered fiber optic telecommunications network that serves statutorily defined authorized state and federal government, education, and health users. The Iowa Telecommunications and Technology Commission (ITTC), consisting of five voting commissioners appointed by the Governor and one ex-officio nonvoting member, governs the use of the ICN.

#### Q. What are the sources of revenue for the ICN?



**A.** The fees for service make up the majority of the revenue received by the ICN. The ICN has not received a General Fund appropriation since FY 2004. Video subsidization was appropriated from the General Fund.

#### Q. How does the FY 2010 budget compare with the FY 2009 budget?

**A.** The budget approved by the ITTC during its September 2008 meeting is flat compared to the FY 2009 budget. (See attachment A.) Because the Network heavily relies on fees from customers as a revenue source, the budget may need to be revised by the ITTC if revenues do not meet their initial estimates.

#### Q. What are the appropriations requests submitted to the Governor's Office for FY 2010?

**A.** The ITTC submitted three capital investment appropriations requests to the Governor's Office for its consideration.

1. **Equipment:** This request calls for an investment of \$2,211,863 to replace and upgrade equipment that is reaching its end of functional life. This minimum investment will address two different funding issues affecting the ICN:
  - Replacement of aging equipment or industry-compatible equipment on the Network to ensure connectivity.
  - A state-appropriated investment requirement allows the state to receive Universal Service Fund (USF) reimbursements on behalf the ICN's K-12 school and library users. With this investment, the ICN is forecasted to receive \$1,700,000 from the USF on behalf of the schools and libraries
2. **Generators:** This request calls for an investment of \$2,755,246 to replace over 100 generators located at Parts I and II sites as well as regeneration sites.<sup>1</sup> The pricing includes equipment and installation costs. These are original generators and are



<sup>1</sup> Regeneration sites boost the light signal traveling on the fiber for long distance transport.

well beyond their life span. During the season of ice and blizzards the value of this appropriation becomes even more important.

3. **Capitol Complex Redundancy:** Today, services on the Capitol Complex are subject to numerous single points of failure. During phase one of this program, fiber optic cable was installed in conjunction with the Department of Administrative Services power distribution project to protect all buildings on the complex from disruption due to fiber or electronics failure. The next step is to protect the voice services. This offer calls for an investment of \$2,320,000 to provide a second voice switch to be located at another location with the necessary electronics, power, and power-backup facilities to minimize vulnerability and ensure continuity of operations for the Capitol Complex.

**Q. How will the current economic environment impact the ICN?**

- A. The ICN is complying with the Governor's austerity directives and has ceased hiring, out-of-state travel, use of consultants as well as delayed several projects. Because a large portion of ICN revenues is generated from state agencies' fees for services, it is difficult to predict what the impact will be. Several agencies have informed the ICN that they will be using ICN voice and video conferencing services more to comply with the Governor's directive regarding travel.

**Q. How do the FY 2009 revenues and usage for various services provided by the ICN compare to the same revenues and usage experienced in FY 2008?**

- A. Following are the results for the first six months of FY 2009. (For more information see Attachment B.)
  1. Video Services: The ICN has produced 105,234 hours of video through December 2008, up from the 99,722 hours produced through December 2007. Higher education and K-12 comprised a majority of the usage.
  2. Voice Services: FY 2009 year-to-date Voice service revenues for December 2008 are behind December 2007 revenues by \$140,570 and are 6.36% ahead of the amount budgeted for FY 2009. The largest sources of revenue continue to be toll free usage, local access, and inmate calling.
  3. Data Services: Gross revenues from data services for December 2008 are ahead of December 2007 year-to-date revenues by \$497,652 and are ahead of the current fiscal year budget figures by 0.34%.
  4. Installation Revenues: Installation revenues for December 2008 are ahead of December 2007 by \$320,868 and are ahead of the December budget by 34.12 %. Installation revenues fluctuate greatly depending upon activities and current spending abilities of our customers.

**Q. What was ICN's level of expenditures in 2008 with telecommunications providers?**

- A. During FY 2008, ICN spent over \$16.3 million with telecommunications providers. The expenditures included leasing of circuits; moves, adds and changes; network maintenance, and locates/relocates of the Network fiber.

For more information contact: **Mark Johnson**  
ICN Legislative Liaison  
[mark.johnson@iowa.gov](mailto:mark.johnson@iowa.gov)  
515-281-4742

**FY 2010 Budget as Approved by the Iowa Telecommunications and Technology Commission  
September 18, 2008**

	<b>FY 2008 Actual</b>	<b>Budget for FY 2009</b>	<b>Proposed Budget for FY 2010</b>
<b>REVENUES</b>			
Voice Revenues	\$ 9,825,401	\$ 8,972,031	\$ 9,065,005
Data Revenues	17,038,485	17,955,318	18,551,420
Video Revenues	3,967,227	4,209,858	3,677,931
Installation Charges	1,466,822	867,500	1,202,250
Equipment Appropriation Request	2,067,000	2,190,123	2,211,000
Other Revenues	554,213	573,878	602,872
<b>Gross Revenues</b>	<b>\$ 34,919,148</b>	<b>\$ 34,768,708</b>	<b>\$ 35,310,478</b>
<b>DIRECT EXPENSES</b>			
Toll	528,942	277,279	263,751
Switched Access	1,403,336	1,379,345	1,351,915
Other Voice Direct Expenses	2,011,296	1,929,940	2,022,271
Data Circuit Expenses	6,854,576	6,848,316	7,129,002
Video Direct Expenses/Other expenses	439,418	499,310	495,068
Installation Expenses	521,522	499,500	703,750
<b>Total Direct Expenses</b>	<b>\$ 11,759,090</b>	<b>\$ 11,433,690</b>	<b>\$ 11,965,757</b>
<b>Gross Margin</b>	<b>\$ 23,160,058</b>	<b>\$ 23,335,018</b>	<b>\$ 23,344,721</b>
<b>OPERATING EXPENSES</b>			
System Maintenance and Technical Support	6,889,124	7,554,339	7,853,233
Outside Plant Expenses	1,027,253	1,118,708	1,231,931
Other Operating Expenses	494,846	873,431	1,026,279
<b>Total Operating Expenses</b>	<b>\$ 8,411,223</b>	<b>\$ 9,546,478</b>	<b>\$ 10,111,443</b>
<b>Net Margin</b>	<b>\$ 14,748,835</b>	<b>\$ 13,788,540</b>	<b>\$ 13,233,278</b>
<b>GENERAL, SALES, AND ADMINISTRATIVE</b>			
Personnel Services	8,368,133	9,088,241	9,348,958
Travel	166,196	173,350	172,250
Data Processing, ITE	94,120	96,529	96,529
Other Administrative Expenses	261,308	880,917	390,036
Professional Fees	233,693	507,406	290,940
<b>Total G, S, and A Expenses</b>	<b>\$ 9,123,450</b>	<b>\$ 10,746,443</b>	<b>\$ 10,298,713</b>
<b>Net Cash (Deficit) from Operations</b>	<b>\$ 5,625,385</b>	<b>\$ 3,042,097</b>	<b>\$ 2,934,565</b>
<b>EQUIPMENT PURCHASES</b>			
Network (net)	3,517,486	3,042,097	2,934,565
<b>Net Equipment Purchases</b>	<b>\$ 3,517,486</b>	<b>\$ 3,042,097</b>	<b>\$ 2,934,565</b>
<b>Net Cash (Deficit)</b>	<b>\$ 2,107,899</b>	<b>\$ -</b>	<b>\$ -</b>

IOWA COMMUNICATIONS NETWORK  
Budget-to-Actual Lead Schedule - Internal Use ONLY  
For the Six Months Ended December 31, 2008

Schedule/Description	Year-to-Date			Total Budget
	YTD Actual	YTD Budget	Actual over Budget	Budget
<b>Operating Revenues</b>				
Video	\$1,760,116	\$1,946,135	-9.56%	\$1,946,135
Voice Services	4,634,482	4,357,328	6.36%	4,357,328
Data Services	8,978,129	8,947,388	0.34%	8,947,388
Installation Charges	542,701	404,641	34.12%	404,641
Other	104,334	59,940	74.06%	59,940
Interest Income	184,292	227,001	-18.81%	227,001
<b>Gross Revenues</b>	<b>16,204,054</b>	<b>15,942,433</b>	<b>1.64%</b>	<b>15,942,433</b>
<b>Direct Expenses</b>				
Video Direct Expenses	228,692	249,381	-8.30%	249,381
Voice Expenses (Toll/Switched Access)	1,773,944	1,771,349	0.15%	1,771,349
Data Direct Expenses	3,597,319	3,466,826	3.76%	3,466,826
Installation Expenses	513,455	297,938	72.34%	297,938
<b>Total Direct Expenses</b>	<b>6,113,410</b>	<b>5,785,494</b>	<b>5.67%</b>	<b>5,785,494</b>
<b>GROSS MARGIN</b>	<b>10,090,644</b>	<b>10,156,939</b>	<b>-0.65%</b>	<b>10,156,939</b>
<b>Indirect Expenses</b>				
System Maintenance, Support & License	3,468,688	3,740,721	-7.27%	3,740,721
Outside Plant Expenses	561,725	613,279	-8.41%	613,279
Other Operating Expenses	437,572	416,433	5.08%	416,433
<b>Total Indirect Expenses</b>	<b>4,467,985</b>	<b>4,770,433</b>	<b>-6.34%</b>	<b>4,770,433</b>
<b>NET OPERATING INCOME/(LOSS)</b>	<b>5,622,659</b>	<b>5,386,506</b>	<b>4.38%</b>	<b>5,386,506</b>
<b>General &amp; Administrative Expenses</b>				
Personnel Services	4,289,021	4,544,120	-5.61%	4,544,120
Travel Expenses	49,454	74,550	-33.66%	74,550
Vehicle Depreciation	8,925	12,150	-26.54%	123,663
Other Administrative Expenses	199,466	490,230	-59.31%	490,230
Professional Fees	124,849	256,704	-51.36%	256,704
<b>Total General &amp; Administrative Expenses</b>	<b>4,671,715</b>	<b>5,377,754</b>	<b>-13.13%</b>	<b>5,489,267</b>
<b>NET CASH(DEFICIT) FROM OPERATIONS</b>	<b>950,944</b>	<b>8,752</b>	<b>10765.45%</b>	<b>(102,761)</b>
<b>Equipment Expenditures</b>				
Network Equipment	680,039	2,195,524	-69.03%	8,646,343
<b>Net Equipment Purchases</b>	<b>680,039</b>	<b>2,195,524</b>	<b>-69.03%</b>	<b>8,646,343</b>
<b>NET CASH(DEFICIT) FROM OPERATIONS &amp; EQUIPMENT GROWTH</b>	<b>270,905</b>	<b>(2,186,772)</b>	<b>-112.39%</b>	<b>(8,749,104)</b>
<b>CURRENT APPROPRIATIONS</b>				
FY08	2,067,000	0	0.00%	0
FY09-04U9	2,190,123	2,190,123	0.00%	2,190,123
FY09-07U9	1,800,000	1,800,000	0.00%	1,800,000
<b>Total Current Appropriations</b>	<b>6,057,123</b>	<b>3,990,123</b>	<b>51.80%</b>	<b>3,990,123</b>
Total Equipment Received - FY 08 Appropriation	2,067,000	0	0.00%	0
Total Equipment Received - FY09 Approp. 04U9	60,809	0	0.00%	0
Total Equipment Received - FY09 Approp. 07U9	142,118	0	0.00%	0
<b>Total Equipment Received</b>	<b>2,269,927</b>	<b>0</b>	<b>0.00%</b>	<b>0</b>
<b>Total Appropriations Remaining</b>	<b>3,787,196</b>	<b>3,990,123</b>	<b>-5.09%</b>	<b>3,990,123</b>